

Media Release

1 August 2017

Credit Corp produces 20% earnings growth and a strong outlook

Credit Corp Group Limited (Credit Corp) reports the following highlights for the 2017 financial year:

- 20% growth in Net Profit After Tax (NPAT) to \$55.2 million
- Record 9 year compound annual earnings growth of 28%
- Doubling of NPAT from the fast-growing lending division to \$12.3 million
- US division turnaround into a profitable driver of earnings growth

These results are a function of strong core debt purchasing business operations and impressive contributions from the company's organic expansion into consumer lending and US debt purchasing.

Credit Corp outlaid \$250 million to acquire charged off debts, including \$202 million in the core Australian and New Zealand business. These record outlays produced 11% growth in total collections and will underpin another year of strong core business performance in 2018.

The lending division was the main driver of earnings growth in 2017 and is set to grow rapidly again in 2018.

Mr Thomas Beregi, CEO of Credit Corp said that lending was now a critical part of the company's future.

"We started lending from scratch just over five years ago and have built a sizeable operation servicing 150,000 customers. It now accounts for 28% of our investment and 22% of earnings and will propel Credit Corp's growth over the next few years."

The company's Wallet Wizard brand enjoys strong recognition and is now well-established. Despite the brand's maturity, there are no indications of limits to its potential. In 2017 there was no slowing in the number of new customers acquired and marketing efficiency improved.

Mr Beregi said the success of its lending business was down to providing consumers with a superior product by leveraging the company's unique economic advantages. "Wallet Wizard is by far the cheapest and most flexible loan offering in our segment of the market. This makes it easier for us to attract and retain customers. We leverage overhead, technology and collection operations from our core debt purchasing business together with an analytical understanding of our target consumer for sustainable competitive advantage."

The US division executed a turnaround in 2017, achieving profitability over the final months of the year. Operational improvement produced a 20% increase in labour productivity. At the same time market conditions improved and Credit Corp increased its outlay on purchased debts by 37% to \$48 million. Collection capacity is expanding and the US will account for a significant component of Credit Corp's 2018 earnings growth.

The US is the largest consumer credit market in the world, producing the largest volume of charge-offs offered for sale. Mr Beregi said that Credit Corp was well-positioned to build a significant US business. "Our successful entry into the US as a relatively small Australian company reflects the merits of organic expansion and a strong focus on operational execution. Our long-term aspiration is to have a debt purchasing operation in the US as large as our core Australian and New Zealand business."

2018 Outlook

Record purchasing in 2017 will support strong core business performance in 2018. The lending and US businesses will drive growth in total company NPAT of between 9% and 14%.

Credit Corp has substantial undrawn funding lines of in excess of \$100 million and is presently generating free cash flow. This financial capacity is available to secure any attractive purchasing opportunities which may arise. Credit Corp plans to maintain its investment discipline and will evaluate investment options across its three profitable business operations during the year. At this point the company provides Purchased Debt Ledger (PDL) acquisition guidance in the range of \$140 to \$170 million.

Initial guidance ranges for FY 2018 are summarised below:

	Initial Guidance August 2017
PDL acquisitions	\$140 - \$170m
Net lending volumes	\$35 - \$45m
NPAT	\$60 - \$63m
EPS	126.0 - 132.0 cents
Dividend per share	63.0 - 66.0 cents

This media release should be read in conjunction with the Appendix 4E, Financial Report and results presentation.

To watch the presentation go to: <http://www.creditcorp.com.au/corporate/investors/interviews-presentations/>

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